

Michigan Department of Treasury
496 (02/06)

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name Baldwin Public Library	County Oakland
Fiscal Year End June 30, 2006	Opinion Date September 28, 2006	Date Audit Report Submitted to State March 16, 2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

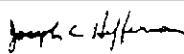
YES ☒ NO ☐

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:		Enclosed	Not Required (enter a brief justification)	
Financial Statements		<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations		<input type="checkbox"/>	Not issued in current year	
Other (Describe)		<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Plante & Moran, PLLC			Telephone Number 248-225-2500	
Street Address 27400 Northwestern Hwy			City Southfield	State MI
			Zip 48037	
Authorizing CPA Signature 		Printed Name Joseph Heffernan		License Number 1101012480

Baldwin Public Library
(a component unit of the
City of Birmingham, Michigan)

Financial Report
June 30, 2006

Baldwin Public Library

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Independent Auditor's Report

To the Board of Directors
Baldwin Public Library

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Birmingham, Michigan as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements, and have issued our report thereon dated September 29, 2006, which expressed unqualified opinions on the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information. Those basic financial statements are the responsibility of the City's management. Our responsibility is to express opinions on those basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Birmingham, Michigan's basic financial statements. The accompanying financial statements of the Baldwin Public Library are presented for the purpose of additional analysis and are not a required part of the City's basic financial statements. The information presented has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Plante & Moran, PLLC

September 28, 2006



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Baldwin Public Library

Balance Sheet/Statement of Net Assets June 30, 2006

	Balance Sheet - Modified Accrual	Adjustments (Note 2)	Statement of Net Assets - Full Accrual	Component Unit - Baldwin Public Library Trust
Assets				
Cash and Investments	\$ 1,882,249	\$ -	\$ 1,882,249	\$ 844,295
Due from other governmental units	59,263	-	59,263	-
Capital assets (Note 3)	-	3,010,416	3,010,416	-
Total assets	\$ 1,941,512	3,010,416	4,951,928	844,295
Liabilities				
Accounts payable	\$ 91,098	-	91,098	-
Accrued and other liabilities	171,426	-	171,426	-
Total liabilities	262,524	-	262,524	-
Fund Balance - Unreserved	1,678,988	(1,678,988)		
Total liabilities and fund balance	\$ 1,941,512			
Net Assets				
Invested in capital assets		3,010,416	3,010,416	-
Unrestricted		1,678,988	1,678,988	844,295
Total net assets		\$ 4,689,404	\$ 4,689,404	\$ 844,295

See Notes to Financial Statements.

Baldwin Public Library

**Statement of Revenue, Expenditures, and Changes
in Fund Balance/Statement of Activities
Year Ended June 30, 2006**

	Revenues and Expenditures - Modified Accrual	Adjustments (Note 2)	Statement of Activities - Full Accrual	Component Unit - Baldwin Public Library Trust
Revenue				
Property tax	\$ 2,779,578	\$ -	\$ 2,779,578	\$ -
Penal fines	48,113	-	48,113	-
State grants	22,218	-	22,218	-
Local grants	1,500	-	1,500	-
State inventory tax reimbursement	13,992	-	13,992	-
Community contracts	605,273	-	605,273	-
Fines and fees	93,897	-	93,897	-
Miscellaneous	16,193	-	16,193	2,496
Investment earnings	67,246	-	67,246	59,233
Contributions	-	-	-	49,803
Total revenue	3,648,010	-	3,648,010	111,532
Expenditures				
Correspondence	47,143	-	47,143	-
Personnel services	1,995,354	-	1,995,354	-
Supplies and maintenance	40,163	-	40,163	13,467
Professional and contractual	168,719	-	168,719	915
Communications	9,265	(7,762)	1,503	-
Transportation and parking	20,758	-	20,758	-
Utilities	97,978	-	97,978	-
City maintenance services	103,550	-	103,550	-
Public services	9,068	-	9,068	-
Books	271,071	(227,053)	44,018	24,382
Periodicals	21,881	(18,328)	3,553	-
Audiovisual	188,631	(158,000)	30,631	-
Computer service	36,387	(30,478)	5,909	-
Miscellaneous	97,838	-	97,838	42,260
Capital outlay	87,328	(73,147)	14,181	-
Depreciation	-	473,414	473,414	-
Gain on disposal of assets	-	89	89	-
Total expenditures	3,195,134	(41,265)	3,153,869	81,024
Change in Fund Balance/Net Assets	452,876	41,265	494,141	30,508
Fund Balance/Net Assets				
Beginning of year	1,226,112	2,969,151	4,195,263	813,787
End of year	\$ 1,678,988	\$ 3,010,416	\$ 4,689,404	\$ 844,295

See Notes to Financial Statements.

Baldwin Public Library

Budgetary Comparison Schedule - General Fund Year Ended June 30, 2006

	Prior Year	Current Year - Modified Accrual			
	Actual - Modified Accrual	Originally Adopted Budget	Amended Budget	Actual	Variance
Revenue					
Property tax	\$ 2,640,772	\$ 2,806,920	\$ 2,806,920	\$ 2,779,578	\$ (27,342)
Penal fines	41,107	45,000	45,000	48,113	3,113
State grants	26,794	25,000	25,000	22,218	(2,782)
Local grants	-	-	1,500	1,500	-
State inventory tax reimbursement	13,992	13,990	13,990	13,992	2
Community contracts	577,821	607,450	607,450	605,273	(2,177)
Fines and fees	86,022	80,000	80,000	93,897	13,897
Miscellaneous	9,120	11,500	11,500	16,193	4,693
Investment earnings	32,194	61,110	61,110	67,246	6,136
Total revenue	3,427,822	3,650,970	3,652,470	3,648,010	(4,460)
Expenditures					
Correspondence	54,980	78,000	78,000	47,143	30,857
Personnel services	1,939,242	2,157,120	2,157,120	1,995,354	161,766
Supplies and maintenance	50,698	67,500	67,500	40,163	27,337
Professional and contractual	194,068	236,600	236,600	168,719	67,881
Communications	10,892	16,000	16,000	9,265	6,735
Transportation and parking	22,206	30,750	30,750	20,758	9,992
Utilities	76,252	93,000	96,000	97,978	(1,978)
Videocassettes	9,648	-	-	-	-
City maintenance services	92,230	100,000	100,000	103,550	(3,550)
Public services	5,485	17,000	17,000	9,068	7,932
Books	278,498	279,750	279,750	271,071	8,679
Periodicals	21,499	23,000	23,000	21,881	1,119
Audiovisual	161,446	206,000	206,000	188,631	17,369
Computer service	43,511	36,000	42,500	36,387	6,113
Miscellaneous	74,968	112,210	112,210	97,838	14,372
Capital outlay	341,739	100,000	191,629	87,328	104,301
Total expenditures	3,377,362	3,552,930	3,654,059	3,195,134	458,925
Change in Fund Balance	\$ 50,460	\$ 98,040	\$ (1,589)	\$ 452,876	\$ 454,465

See Notes to Financial Statements.

Baldwin Public Library

Notes to Financial Statements June 30, 2006

Note 1 - Summary of Significant Accounting Policies

The accounting policies of the Baldwin Public Library (the "Library") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Library:

Reporting Entity

The Library is governed by a six-member board elected by the citizens of Birmingham, Michigan. It is also reported as a component unit of the City of Birmingham, Michigan.

The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. Accordingly, these statements include the activity of the Baldwin Public Library Trust (the "Trust"). The Trust is a legally separate, tax-exempt entity that acts primarily as a fund-raising organization to supplement the resources that are available to the Baldwin Public Library in support of its programs.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The Library's General Fund is budgeted and accounted for using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Library considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Service contract revenue meets the availability criterion and is accrued as of year end.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures relating to compensated absences are recorded only when payment is due.

Baldwin Public Library

Notes to Financial Statements June 30, 2006

Note 1 - Summary of Significant Accounting Policies (Continued)

In addition to presenting information for the General Fund on the modified accrual basis (as budgeted), the financial statements present information for the Library using the economic resources measurement focus and the accrual basis of accounting. This information is intended to demonstrate the degree to which taxpayers have funded the full cost of services received. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Private sector standards of accounting issued prior to December 1, 1989 are generally followed in both modified accrual and full accrual columns, to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board.

Assets, Liabilities, and Net Assets or Equity

Bank Deposits and Investments - The Library considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. Investments are recorded at fair value as of June 30, 2006, based on quoted market prices.

Capital Assets - Capital assets are defined by the Library as assets with an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The Library building is owned by the City of Birmingham, Michigan (the "City") and is not reported in these statements; the debt related to the building is also reported in the City's financial statements.

Building improvements, furniture and fixtures, equipment, library books, periodicals, etc. are depreciated using the straight-line method over the following useful lives:

Building Improvements	15 years
Furniture and fixtures	10 years
Library books, periodicals, etc.	10 years
Equipment	5 years

Baldwin Public Library

Notes to Financial Statements June 30, 2006

Note 1 - Summary of Significant Accounting Policies (Continued)

Compensated Absences (Vacation and Sick Leave) - It is the Library's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. It is not the Library's policy to pay out any unused sick benefits upon separation from employment (retirement, termination, etc.); therefore, sick benefits are not accrued. All vacation is accrued when incurred in the government-wide financial statements. A liability for vacation amounts is reported in governmental funds only for employee terminations as of year end.

Property Taxes - Properties are assessed as of December 31. The related property taxes are billed and become a lien on July 1 of the following year. These taxes are due on August 31 with the final collection date of February 28 before they are added to the county tax rolls. The Library's property tax revenue for the fiscal year ended June 30, 2006 is based on the 2005 levy, which was billed July 1, 2005.

The 2005 taxable value totaled \$1,850,065,330; the Library's millage rate was 1.5172 mills, which resulted in property tax billings of \$2,806,919. The amount recognized as revenue reflects reductions for Board of Review, Michigan Tax Tribunal, and delinquencies, as well as recoveries of prior year delinquencies.

Note 2 - Reconciliation of Government-wide and Fund Financial Statements

As discussed in Note 1, the General Fund is presented on the modified accrual basis of accounting, and the Library as a whole (which consists of just its General Fund) is also presented on the full accrual basis. The following is a reconciliation of fund balance on the modified accrual basis of accounting to net assets presented on the full accrual basis:

Total Fund Balance - Modified Accrual Basis	\$ 1,678,988
Amounts reported in the statement of net assets are different because capital assets are not financial resources and are not reported in the funds	<u>3,010,416</u>
Total Net Assets - Full Accrual Basis	<u>\$ 4,689,404</u>

Baldwin Public Library

Notes to Financial Statements June 30, 2006

Note 2 - Reconciliation of Government-wide and Fund Financial Statements (Continued)

The following is a reconciliation of the changes in fund balance on the modified accrual basis to the change in net assets on the full accrual basis:

Net Change in Fund Balances - Modified Accrual Basis	\$ 452,876
Amounts reported in the statement of activities are different because:	
Capital outlay is not an expense of the current period	514,768
Capital costs are allocated over their estimated useful lives as depreciation	(473,414)
The disposal of capital assets is reported as a charge to expenses	<u>(89)</u>
Change in Net Assets of Governmental Activities	<u>\$ 494,141</u>

Note 3 - Capital Assets

Capital asset activity of the Library's governmental activities was as follows:

	Balance July 1, 2005	Additions	Disposals and Adjustments	Balance June 30, 2006
Depreciable capital assets:				
Furniture and fixtures	\$ 478,319	\$ 16,569	\$ 15,660	\$ 479,228
Equipment	740,588	70,442	16,529	794,501
Building improvements	864,249	5,271	-	869,520
Books, periodicals, etc.	<u>7,752,853</u>	<u>422,486</u>	<u>119,984</u>	<u>8,055,355</u>
Subtotal	9,836,009	514,768	152,173	10,198,604
Less accumulated depreciation	<u>6,962,358</u>	<u>473,414</u>	<u>152,084</u>	<u>7,283,688</u>
Subtotal	2,873,651	41,354	89	2,914,916
Fine arts - Not subject to depreciation because they are inexhaustible	<u>95,500</u>	<u>-</u>	<u>-</u>	<u>95,500</u>
Net capital assets	<u>\$ 2,969,151</u>	<u>\$ 41,354</u>	<u>\$ 89</u>	<u>\$ 3,010,416</u>

Capital assets, including library books, are recorded at cost. Depreciation expense was \$473,414 for the year ended June 30, 2006.

Baldwin Public Library

Notes to Financial Statements June 30, 2006

Note 4 - Budget Information

The annual budget is prepared by the director and adopted by the Library Board. Unexpended appropriations lapse at year end; encumbrances are not included as expenditures. The amount of encumbrances outstanding at June 30, 2006 has not been calculated. The budget has been prepared in accordance with accounting principles generally accepted in the United States of America.

The budget has been adopted on an activity basis; expenditures at this level in excess of amounts budgeted are a violation of Michigan law. A comparison of actual results of operations to the budget as adopted by the Library Board is included in the basic financial statements.

Note 5 - Risk Management

The Library is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Library participates with the City in the Michigan Municipal League program for claims relating to workers' compensation, general liability, and property loss and participates in the City's self-insurance program for employee health and dental claims.

The Michigan Municipal League program operates as a common risk-sharing management program for local units of government in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

Through the City, the Library estimates the liability for general liability and employee health and dental claims that have been incurred through the end of the fiscal year, including both those claims that have been reported as well as those that have not yet been reported. These estimates are recorded in the City's Risk Management Internal Service Fund. Changes in the estimated liability for the City for the past two fiscal years are presented in the City's June 30, 2006 annual financial report.

Baldwin Public Library

Notes to Financial Statements June 30, 2006

Note 6 - Pension Plan

Plan Description - The Library participates in the City of Birmingham Employees' Retirement System (the "System"), a single-employer defined benefit pension plan that is administered by the City of Birmingham Employees' Retirement System Pension Board; this plan covers all full-time employees of the City and the Library. The System provides retirement, disability, and death benefits to plan members and their beneficiaries. The plan issues a publicly available financial report that includes financial statements and required supplemental information for the System. That report may be obtained by writing to the System at the City of Birmingham, 151 Martin, P.O. Box 3001, Birmingham, Michigan 48009.

Funding Policy - The obligation to contribute to and maintain the System for these employees was established by negotiation with the City's competitive bargaining units and requires a contribution from the Library employees of 3 percent to 4 percent of their covered salary. The funding policy provides for periodic employer contributions at actuarially determined rates. In accordance with these requirements, the City contributed \$28,248 during the current year, and the employees contributed \$365,436.

Annual Pension Cost - The annual required contribution was determined as part of an actuarial valuation at June 30, 2005, using the entry age actual cost method. Significant actuarial assumptions used include (a) a 7 percent investment rate of return, (b) projected salary increases of 4 percent per year, (c) additional projected salary increases ranging from 0.0 percent to 3.8 percent per year depending on age and seniority/merit, and (d) no cost of living adjustments. Both (a) and (b) include an inflation component of 4 percent. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a four-year period. The full funding credit is being amortized as a level percentage of payroll over a period not less than 15 years. Six-year historical trend information showing the System's progress in accumulating sufficient assets to pay benefits when due is presented in the System's June 30, 2006 annual financial report.

Baldwin Public Library

Notes to Financial Statements June 30, 2006

Note 7 - Postemployment Benefits

The Library provides health care benefits to all full-time employees who retire at age 60 with 15 or more years of full-time service in accordance with Library Board resolution. Currently, 14 retirees are eligible. The Library includes pre-Medicare retirees in its insured health care plan, with no contribution required by the participant. The City purchases Medicare supplemental insurance for retirees eligible for Medicare. Through the City, the Library estimates the liability for postemployment benefits that have been incurred through the end of the fiscal year, including both those claims that have been reported as well as those that have not yet been reported. These estimates are recorded in the City's Retiree Health Care Fund. The estimated liability for the City for the fiscal year is presented in the City's June 30, 2006 annual financial report.

Upcoming Reporting Change - The Governmental Accounting Standards Board has recently released Statement Number 45, *Accounting and Reporting by Employers for Postemployment Benefits Other Than Pensions*. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care, as well as any "other" postemployment benefits (other than pensions). The new rules will cause the full accrual columns of the financial statements to recognize the cost of providing retiree health care coverage over the working life of the employee, rather than at the time the health care premiums are paid. The new pronouncement is effective for the year ending June 30, 2009.